



FOR IMMEDIATE RELEASE
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GOVERNOR ANNOUNCES HELP FOR TROUBLED ARIZONA HOMEOWNERS

PHOENIX – Governor Janet Napolitano has announced a plan to help Arizona homeowners who are in fear of losing their homes when their subprime mortgages reset.

The plan is an aggressive approach designed to reach out to borrowers, and to give them the information and contacts they need to work out a plan to handle their financial situations and avoid foreclosure.

At issue is the large number of loans that are scheduled to “reset” in 2008. Many buyers chose to use subprime mortgages with low “teaser” rates that expire. In too many cases, mortgages will reset to amounts the buyer can’t pay.

“The simple fact is that foreclosure is bad business,” said the Governor. “At the same time, this is not a bailout. Lending institutions need and want owners to pay their mortgages. Our role, as the state, is to ensure that owners are actually talking to their lenders; and that lenders are willing to work with owners to come to a resolution.”

Earlier this week, the Governor met with major players in Arizona’s banking and mortgage industry, including representatives of J.P. Morgan Chase, GMAC, Wells Fargo, Washington Mutual and Countrywide, as well as the Arizona Bankers Association. Several months ago, the Directors Arizona Department of Housing and the Arizona Department of Financial Institutions began meeting with lenders to explore solutions. This week’s meeting was a culmination of that effort.

The group agreed on the following concepts:

- To work together to encourage homeowners in trouble to call their lenders. Delay usually only makes the problem worse.
- To encourage “distressed homeowners” – through an outreach campaign – to also make use of a national toll-free number, 1-888-995-4673 (888-995-HOPE), or the program’s website, www.hopenow.com. Counselors are available to, and can work with owners in English or in Spanish. 80% of the calls handled through the number result in a positive outcome.
- Lenders will reach out to owners many months before their loans reset.
- Lenders will streamline the approval process for determining whether a borrower qualifies for a loan modification.

- In some cases, lenders may freeze the subprime “teaser” rate or move the owner to a fixed-rate mortgage.

The group will also exchange data with state agencies to allow Arizona to better track problem areas, as well as the success of these strategies.

“This is one of those situations in which knowledge is power, and the telephone might be the most useful tool of all,” said the Governor. “Homeowners are often terrified to call a lender, worrying that they’ll only make the problem worse. The reverse is true. When lenders know a homeowner is in trouble, that’s when they can be most effective.”

Not every owner will qualify for a new loan; but the goal is to do everything possible to keep Arizonans in their homes. As of September 30th of this year, more than 24,000 loans in Arizona are either in foreclosure or are seriously delinquent; 1 in 5 subprime loans is predicted to end in foreclosure. 50% of borrowers in foreclosure never called their lenders.

For more information about the issue in Arizona, reporters may contact the Arizona Department of Housing at (602) 771-1000 or the Arizona Department of Financial Institutions at (602) 255-4421.

For more information about the Office of the Governor, please visit www.azgovernor.gov.